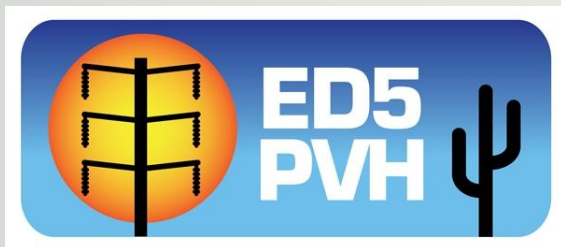


# ED5-PVH Project (Project)

*Western's TIP-financed project to enhance the  
Parker-Davis Project transmission system South of  
Phoenix*



December 7, 2011

# June 22, 2011, Customer Meeting Recap

Project information can be found on the Western TIP web site at:

<http://ww2.wapa.gov/sites/western/recovery/project/Pages/ED5PVH.aspx>

June 22<sup>nd</sup> Presentation can be found under link to: Public Involvement

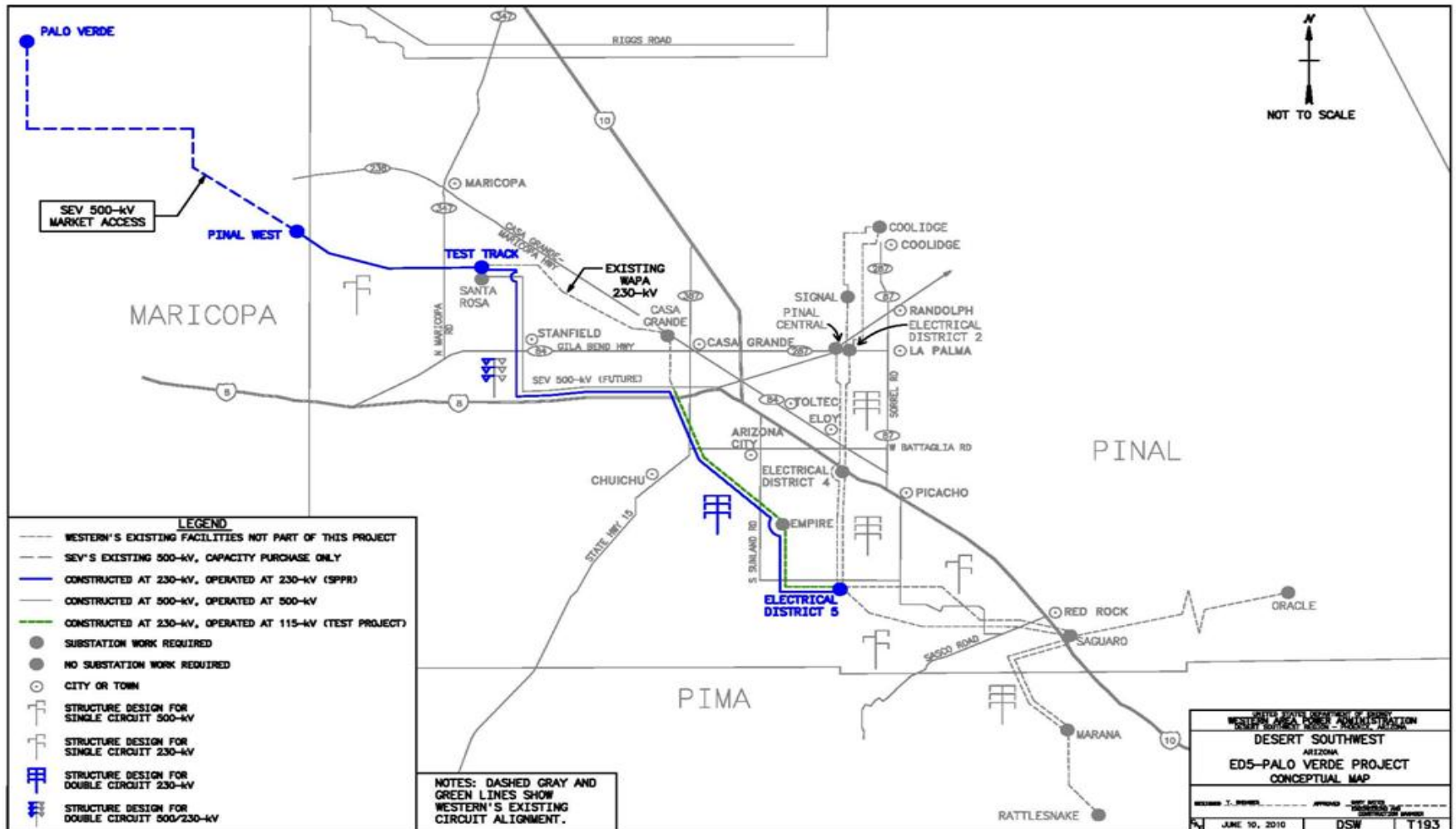
Next Steps identified at June meeting:

- Execute Facilities Use Charge Agreement
- Complete Environmental Assessment
- Receive Project Funding Authorization
- Sign Transmission Right Assignment Agreements
- Sign 230-kV Underbuild Attachment Agreement
- Receive first TIP funding
- Initiate Construction including Materials and Equipment Orders

# Today's Agenda

ED5-Palo Verde Hub Project .....	T odd Rhoades
Actions since June 22 <sup>nd</sup> : .....	Todd Rhoades
Cost and Financing .....	Jack Murray
Rate Treatment .....	Jack Murray
Project Marketability.....	Todd Rhoades
Project Timeline .....	Todd Rhoades
Discussion / Comments	

# ED5-Palo Verde Hub Project



# Project Description

The major elements of the Project are:

- Transmission Rights on 500-kV Southeast Valley Project from Hassayampa to Duke/Test Track.
- Conversion of 230-kV switchyard at Test Track Substation from Ring Bus to Breaker-and-One-Half configuration and addition of new bays.
- Construction of a new 230-kV ED5-Test Track Line; this line is under built on the SEV 500-kV Pinal Central-Duke Line, and double circuited with Western's CAG-EMP-ED5 115-kV Line.
- Conversion of the ED5 115-kV Tap to a Breaker-and-One-Half switchyard (built to 230-kV standards) and interconnection of a new 230/115 transformer.

Estimated Construction Cost: \$79.3M; does not include financing and indirect costs.

# Status of NEPA Process

## NEPA Documentation

- The Draft Environmental Assessment was submitted for public comment on June 10, 2011, with comments due by July 10, 2011.
- Final Environmental Assessment was complete at the end of July 2011.
- Finding Of No Significant Impact signed on Aug 9, 2011.

<http://energy.gov/nepa/downloads/ea-1864-final-environmental-assessment-0>

# Request for Borrowing Authority

- The Project was presented to the DOE Review Committee on June 21, 2011.
- The Project received approval from DOE on Sept 13, 2011.
- Western's Administrator Certified the Project and completed Financial Closing on Sept 14, 2011.

# Status of Contracts/Agreements

- **Transmission Service Agreement executed with ED4 for 156 MW of new service on Feb 12, 2011. Reassignments to other SPPR Group members executed in August/September 2011.**
- **Facilities Use Charge agreements executed with ED4 and reassignees in August/September 2011.**
- **The Palo Verde-Pinal Central Transmission Project Participation Agreement, Consent Acknowledgement and Agreement, Assignment Agreements from ED3 and ED4 to Western, and 230-kV Attachment Agreement were executed effective October 31, 2011.**



# Project Cost & Financing

Estimated Construction Costs	(in millions)
New Transmission Rights (SEV Project)	\$27.7
New 23-kV Transmission Line (ED5-Test Track)	27.4
Additions/Upgrades at Substations (ED5 & Test Track)	24.2
<b>Total</b>	<b>\$79.3</b>
Est. Level Annual Payment including TIP Financing	\$4.4

- **TIP financing structure: Total 50-year repayment; initial financing matures in 30 years, with remaining balance refinanced at year 31 using a fixed (prevailing) interest rate.**
- **Level annual payment based on Treasury interest rates as of June 14, 2011.**

# Project Rate Treatment

- All costs associated with the Project will be included in the P-DP rate base, but kept separate and distinct through a Facilities Use Charge.
- Revenue from the Project capacity upgrades will also be included in the P-DP rate base, but kept separate and distinct through a Facilities Use Charge to offset costs.
- The Beneficiaries and Participants of the Project share the costs and benefits via a Facilities Use Charge.
- This is an existing cost recovery mechanism and shields current customers from rate impacts.

# Review of Project Facilities Use Charge Concepts/Principles

- Transmission customers of the newly created capacity must elect to be Beneficiaries of the Project.
- Existing P-DP customers may elect to become involved at any time and participate in the Project by voluntarily opting in, and are referred to as “Participants”.
- The facilities use charge will have a “floor” on the “per kW” charge of the higher of \$1.50 per kW per month or the existing P-DP rate.
- Beneficiaries and Participants must have both a transmission service and a facilities use agreement.
- Participants will continue to use existing transmission service agreements; will need Facilities Use Charge agreements; and must continue participation through the term of their transmission service agreements.

# Review of Project Facilities Use Charge Concepts/Principles

- The Participants' share of the transmission revenue requirement will be included in the Facilities Use Charge.
- Beneficiaries and Participants will be charged for transmission and facilities use.
- End result is payment only for facilities use and applicable ancillary services.
- Initial Beneficiaries that are existing P-DP customers may not reduce existing transmission reservations to take service under this Project.

# Project Marketing

- Available Transmission Capacity will be posted on OASIS
- Long Term Firm Transmission Service will commence January 1, 2015

# Project Timeline

- **First Funds Drawn from Treasury** **November 2011**
- **Project cost and schedule baseline established and monitoring, tracking and reporting begins** **November 2011**
- **Initial Materials and Equipment Order** **December 2011**
- **Initial Construction Contract Award** **Spring 2012**
- **Construction Complete – System In-Service** **Jan. 1, 2015**

# Discussion / Comments

## POC Information:

**Project Management**

**Todd Rhoades**

**Construction**

**Gary Bates**

**Environmental**

**Linette King**

**Planning & Technical Studies**

**Josh Johnston**

**Transmission Marketability**

**John Steward**

**Finance and Rates**

**Jennifer Hultsch**

**Todd Statler**